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BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 35018

STATE OF MAINE--ACQUISITION EXEMPTION--LINE
OF ST. LAWRENCE & ATLANTIC RAILROAD COMPANY
BETWEEN DEERING, MAINE AND YARMOUTH JUNCTION, MAINE

MOTION TO DISMISS
VERIFIED NOTICE OF EXEMPTION

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Dated: April 27, 2007

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SURFACE TRANSPORTATION BOARD**

Finance Docket No. 35018

**STATE OF MAINE--ACQUISITION EXEMPTION--LINE
OF ST. LAWRENCE & ATLANTIC RAILROAD COMPANY
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**MOTION TO DISMISS
VERIFIED NOTICE OF EXEMPTION**

The State of Maine, acting by and through its Department of Transportation ("Maine DOT"), hereby requests the Board to dismiss the Verified Notice of Exemption (the "Notice") that is being filed concurrently in the above-captioned matter. As described in the Notice, Maine DOT will acquire approximately 11 miles of rail line between approximately milepost 1.74 at Deering, Maine and approximately milepost 12.163 south of the diamond crossing at Yarmouth Junction, Maine (the "Line") from St. Lawrence & Atlantic Railroad Company ("SLR"). SLR will retain a perpetual and exclusive easement to provide freight rail service on the Line. Maine DOT will not provide, nor will it have any ability to provide, any freight rail service on the Line after the transaction closes.

Based upon State of Maine, Department of Transportation—Acquisition and Operation Exemption--Maine Central Railroad Company, 8 I.C.C.2d 835 (1991) ("State of Maine"), and numerous decisions of the Interstate Commerce Commission and the Board following State of Maine, the proposed transaction between Maine DOT and SLR is not subject to the jurisdiction of the Board, and, consequently, the Notice should be dismissed. No common carrier rights or obligations are being transferred by SLR or assumed by Maine DOT as a result of the proposed transaction.

Maine DOT and SLR respectfully request the Board to act promptly and favorably on this Motion. In the Purchase and Sale Agreement dated December 29, 2006, as amended (the "P & S Agreement"), a copy of which is attached hereto as Exhibit A, the parties have expressed their intent to close the transaction if it all possible by June 30, 2007. P & S Agreement, Section 11.1. A condition precedent to the obligation of Maine DOT to close is, however, a decision by the Board to the effect that the transaction does not require Board approval and will not subject Maine DOT to the jurisdiction of the Board. P & S Agreement, Section 10.10. Thus, action by the Board prior to June 30, 2007 is important to enable the parties to consummate a transaction that has been under discussion and negotiation for a considerable length of time.

FACTS

SLR is a Class III carrier operating a line between Portland, Maine and Norton, Vermont. The Line is currently operated by SLR as a branch. There are 5 customers that are currently served on the Line, and there is no overhead traffic. SLR provides service on request, which occurs on the average approximately 4 times a month.

The P & S Agreement provides that SLR will transfer and convey SLR's right-of-way, track and other physical assets comprising the Line to Maine DOT. Maine DOT intends to use the Line in order to preserve its ability in the future to permit the operation of passenger rail service on the Line. Maine DOT does not conduct, and has no plans in the future to conduct any freight rail operations. At the closing, SLR will deliver a deed, a draft of which is attached hereto as Exhibit B, that excepts and reserves to SLR a perpetual and exclusive easement for purposes of providing common carrier freight rail service on the Line.

The P & S Agreement contemplates, as a condition precedent to closing, that the parties will enter into an operating agreement (the "Operating Agreement") governing the relationship on the Line of SLR as the provider of freight rail service and Maine DOT or its designee as the operator of passenger rail service. P & S Agreement, Recital C. A copy of the Operating Agreement is attached hereto as Exhibit C. As described below, the final version of the Operating Agreement that will be signed at closing confirms the fact that SLR will retain the exclusive right and obligation to provide freight rail service on the Line and that Maine DOT will have no right or ability to provide freight rail service. Furthermore, as described below, the Operating Agreement ensures that SLR will not be unreasonably restricted or constrained in discharging its common carrier obligations after the closing.

Section 2.1(a) of the Operating Agreement provides that SLR "shall have the exclusive right to continue to provide local and overhead freight rail service to current and future freight rail shippers, receivers, consignees, and other entities that are located on the Subject Line or that may be seeking freight rail service over or on the Subject Line

in the future." Furthermore, SLR is explicitly permitted to "market, price and provide its services" on the Line "without restriction or interference of any kind by MAINE DOT." Operating Agreement, Section 2.1(a). Conversely, "MAINE DOT expressly declines to assume any obligation to provide common carrier freight rail service on the Subject Line." Operating Agreement, Section 2.1(d).

In anticipation of the initiation of passenger service on the Line, Maine DOT will have the ability to upgrade the Line at its expense. Operating Agreement, Section 2.2. Any such upgrade must be conducted in a manner that coordinates with the ability of SLR to provide freight rail service and minimizes interference or disruption of such service. Operating Agreement, Section 2.2(b)-(d). SLR will retain the right to make changes or improvements to the Line that it requires solely for purposes of its freight operations. Operating Agreement, Section 2.4.

In the event that Maine DOT wishes to begin passenger rail service on the Line, it must give SLR at least one year's prior notice. Operating Agreement, Section 2.3(d). If, at the time that passenger service begins, Maine DOT is unable to identify a freight rail operator for the Line to replace SLR, on terms and conditions satisfactory to SLR, then SLR's operations on the Line will be separated temporally from passenger operations and maintenance activities conducted by Maine DOT. Id. SLR has represented that the negotiated "window" for its freight operations will be more than adequate to provide service to its customers and to discharge its common carrier obligations.

Prior to the beginning of an upgrade project funded by Maine DOT or passenger operations, the Line will continue to be maintained and dispatched by SLR. At the beginning of an upgrade project or passenger operations, maintenance and dispatching

responsibilities will be discharged by Maine DOT. Operating Agreement, Sections 2.6 and 2.7. Such maintenance must be performed by Maine DOT without unreasonably interfering with freight operations. Operating Agreement, Section 2.6(d).

ARGUMENT

State of Maine is the seminal decision on the issue raised by this Motion. In State of Maine, Maine DOT proposed to acquire ownership of a line of Maine Central Railroad in a transaction pursuant to which Maine Central would retain a permanent easement to provide common carrier freight rail service. Maine DOT's intention in acquiring ownership of the line was to make it available for a passenger transit system. The parties agreed that no rights or obligations concerning freight rail service would be transferred to Maine DOT. The ICC concluded that it lacked jurisdiction over the transaction, noting that "nothing in the transfer of underlying assets in this case would disenable [Maine Central] from meeting its common carrier obligation." State of Maine, 8 I.C.C.2d at 837. The record showed that there would be no impairment of the ability of Maine Central to fulfill its continuing common carrier obligation, which could not be discontinued without further authority from the ICC. "Under these circumstances we can see no reason to impose upon the purchaser of the underlying rail assets an additional common carrier obligation." Id.

State of Maine has been followed by the ICC and the Board in numerous cases. Sec, e.g., State of Vermont--Acquisition Exemption--Certain Assets of Newport and Richford Railroad Company, et al., STB Finance Docket No. 34294, decision served May 22, 2003, and cases cited therein; New Mexico Department of Transportation--

Acquisition Exemption--Certain Assets of BNSF Railway Company, STB Finance Docket No. 34793, decision served February 6, 2006, and cases cited therein; and The Town of Corinth, New York--Acquisition and Operation Exemption--Canadian Pacific Railway, STB Finance Docket No. 34803, decision served March 9, 2006.

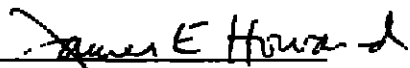
The transaction described in the Notice is similar in all material respects to the transaction in State of Maine and cases in which State of Maine has been followed. As described above, there will be no transfer of common carrier obligations or rights. Indeed, Maine DOT expressly disavows any right or ability to provide common carrier freight rail service. Furthermore, the transaction will not interfere with SLR's ability to provide common carrier service on the Line. Rather, the transaction represents a reasonable accommodation of the interest of Maine DOT to initiate passenger service and the responsibilities of SLR to continue to provide freight service. The New Mexico Department of Transportation decision, referred to above, is particularly instructive. In that case, just as in the proposed transaction here, a joint use agreement provided for the New Mexico Department of Transportation, in furtherance of commuter rail service, to take over responsibility for track maintenance and dispatching and for defined operating windows.

CONCLUSION

For the reasons outlined above, the proposed transaction pursuant to which Maine DOT will acquire the Line from SLR is outside the scope of the Board's jurisdiction, and the Notice should be dismissed. Moreover, for the reasons described above, the Board is

respectfully requested to grant this Motion in a decision that is issued and effective on or before June 30, 2007.

Respectfully submitted,


James E. Howard
One Thompson Square
Suite 201
Charlestown, MA 02129

Attorney for Maine Department
of Transportation

Dated: April 27, 2007

**FIRST AMENDMENT TO
PURCHASE AND SALE AGREEMENT**

THIS FIRST AMENDMENT TO PURCHASE AND SALE AGREEMENT
("Amendment") is dated as of March 15, 2007 (the "Effective Date"), by and between
ST LAWRENCE & ATLANTIC RAILROAD COMPANY, a Delaware corporation
("Seller"), and **THE STATE OF MAINE**, acting by and through its Department of
Transportation ("Buyer")

RECITALS:

A Seller and Buyer entered into a Purchase and Sale Agreement dated as of
December 29, 2006 (the "Purchase Agreement") pursuant to which Buyer agreed to
acquire Seller's line of railroad between approximately milepost 1.74 at Deering, Maine
and approximately milepost 12.163 just south of the diamond crossing at Yarmouth
Junction, Maine (the "Subject Line") in accordance with the terms and conditions set
forth therein

B Seller and Buyer have agreed to amend the Purchase Agreement in
certain respects as set forth below

NOW, THEREFORE, in consideration of the mutual covenants in this
Amendment and other good and valuable consideration, the receipt and sufficiency of
which are acknowledged, Seller and Buyer, intending to be legally bound hereby, agree
as follows.

Section 1. AMENDMENT TO AUTOMATIC TERMINATION PROVISION

Seller and Buyer agree to amend and restate Section 10.7 of the Purchase
Agreement in its entirety as follows:

"This Agreement shall automatically terminate if any applicable condition precedent to Closing remains unsatisfied as of the later of (i) June 30, 2007, or (ii) the tenth (10th) day after Buyer receives the STB's Jurisdictional Determination described in Section 10 10 of this Agreement. In the event of such termination, neither party shall have any further rights or obligations under this Agreement."

Section 2. AMENDMENT TO CLOSING PROVISION

Seller and Buyer agree to amend and restate Section 11 1 of the Purchase Agreement in its entirety as follows.

"The consummation of the transactions contemplated by this Agreement (the "Closing") shall occur on or before the later of (i) June 30, 2007, or (ii) the tenth (10th) day after Buyer receives the STB's Jurisdictional Determination described in Section 10 10 of this Agreement. The Closing shall take place at a mutually agreeable time and location."

Section 3. AMENDMENT TO OTHER DEADLINES

Seller and Buyer agree to the following additional amendments to the Purchase Agreement.

(a) Section 10 12 of the Purchase Agreement shall be amended and restated in its entirety as follows

"Buyer and Seller shall have agreed upon the terms and conditions of the Operating Agreement on or prior to April 13, 2007 "

(b) Section 10 15 of the Purchase Agreement shall be deleted in its entirety.

Section 4. MISCELLANEOUS

4.1 Effectiveness of Amendment

This Amendment shall take effect as of the Effective Date set forth above. Except as amended herein, the Purchase Agreement shall remain in full force and effect without modification or amendment. Henceforth all references to the Purchase Agreement shall be deemed to refer to the Purchase Agreement as amended by this Amendment. Each individual affixing a signature to this Amendment represents and warrants that he or she has been duly authorized to execute this Amendment on behalf of the party he or she represents, and that by signing this Amendment, a valid, binding and enforceable obligation of said party has been created.

4.2 Counterparts

This Amendment may be executed in any number of counterparts each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

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EXECUTED by Seller and Buyer as of the date first written above.

SELLER:

ST. LAWRENCE & ATLANTIC RAILROAD
COMPANY

a Delaware corporation

By:



Name: Allison Fergus

Title: Secretary

BUYER:

STATE OF MAINE,

acting by and through its Department of
Transportation

By _____

Name: _____

Title: _____

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT ("Agreement") is dated as of December 29, 2006 (the "Effective Date"), by and between ST. LAWRENCE & ATLANTIC RAILROAD COMPANY, a Delaware corporation ("Seller"), and THE STATE OF MAINE, acting by and through its Department of Transportation ("Buyer").

RECITALS:

A. Seller owns and provides freight rail service on a line of railroad that is approximately ninety-nine feet in width between approximately milepost 1.74 at Deering, Maine and approximately milepost 12.163 just south of the diamond crossing at Yarmouth Junction, Maine (the "Subject Line").

B. Seller desires to sell its right, title and interest in and to the Subject Line and Buyer desires to acquire such right, title and interest on the terms and conditions set forth in this Agreement, including but not limited to the Seller's reservation of an exclusive and perpetual freight railroad operating easement on the Subject Line.

C. Buyer desires and intends to use the right, title and interest that it acquires from Seller in order, among other things, to preserve its ability in the future to operate passenger rail service on the Subject Line. Buyer and Seller will enter into a separate Operating Agreement at the Closing to govern Seller's freight rail service and potential future passenger rail service by Buyer on the Subject Line after the Closing Date.

D. Seller and Buyer are agreeable to the transactions outlined in the above Recitals and further described in this Agreement, subject to the terms and conditions herein.

NOW, THEREFORE, in consideration of the mutual covenants in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Seller and Buyer, intending to be legally bound hereby, agree as follows:

Section 1. DEFINITIONS

The following capitalized terms shall have the following meanings:

"Affiliate of Seller" shall mean any person or entity that (i) holds beneficially, directly or indirectly, fifty (50) percent or more of the outstanding capital stock, shares or equity interests of Seller; or (ii) controls, is controlled by, or is under common control with Seller. As used in this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person or entity, whether through ownership of voting securities, by agreement or otherwise.

"Agreement" shall mean this Purchase and Sale Agreement dated as of the Effective Date by and between Seller and Buyer.

"Assigned Leases" shall refer collectively to the Leases that apply to the Subject Line that will be assigned to Buyer at the Closing.

"Assigned Other Agreements" shall refer collectively to any Other Agreements that apply to the Subject Line that will be assigned (or partially assigned) to the Buyer at the Closing.

"Assignment and Assumption Agreement" shall have the meaning set forth in Section 3.3.

"Closing" shall have the meaning set forth in Section 11.1.

"Closing Date" shall mean the date on which Closing occurs.

"Consultants" shall mean the employees, agents, contractors, consultants and other representatives of Buyer.

"Deed" shall refer to the Quitclaim Deed which Seller shall deliver to Buyer at Closing, in the form of **Exhibit A** attached hereto.

"Environmental Law" means any applicable federal, state, or local statute, law, rule, or regulation relating to pollution or protection of the environment or natural resources, including without limitation laws relating to the release, emission or discharge of Hazardous Materials.

"Freight Easement" shall mean the exclusive and perpetual easement for freight railroad purposes that will be retained by Seller, as set forth in the Deed.

"Hazardous Materials" shall mean any material or substance that is defined as a hazardous substance, hazardous material, or hazardous waste under the Comprehensive Environmental Response, Compensation and Liability Act, the Federal Water Pollution Control Act, the Clean Air Act, and or any other federal or state laws.

"Knowledge" shall mean actual knowledge of a particular fact, without any duty of inquiry or investigation.

"Leases" shall refer collectively to all leases entered into by Seller or predecessors in interest of Seller granting rights to third parties to use the Subject Line or any portion thereof, including all amendments and/or supplements thereto, but excluding Other Agreements.

"Other Agreements" shall refer collectively to all licenses and agreements entered into by Seller or predecessors in interest of Seller that apply to the Subject Line

or any portion thereof, and all amendments and/or supplements thereto, including but not limited to any freight trackage rights agreements or other freight railroad operating agreements, but excluding Leases.

"Passenger Rail Service" shall mean the transportation of commuters and/or intercity passengers by rail that Buyer may elect to provide on the Subject Line in accordance with the terms and conditions of the Operating Agreement.

"Purchase Price" shall have the meaning set forth in Section 4.

"Related Agreements" shall mean the Operating Agreement to be entered into at Closing and the Assignment and Assumption Agreement attached hereto as **Exhibit B**.

"Seller's Representative" shall mean Mario Brault, who has day-to-day responsibility for the matters that are the subject of certain representations and warranties set forth in Section 8.1.

"STB" shall mean the Surface Transportation Board or any successor federal agency.

"Subject Line" shall have the meaning set forth in Recital A and Section 3.1 of this Agreement.

Section 2. SALE AND PURCHASE: OPTION

2.1 Purchase and Sale

Subject to the terms and conditions of this Agreement, Seller agrees to sell and Buyer agrees to purchase the Subject Line.

2.2 Option

Seller grants Buyer an option to purchase (i) Seller's rail line between the endpoint of the Subject Line south of the diamond crossing at Yarmouth Junction (Berlin Subdivision milepost 12.163) and the point approximately one mile east of Danville Junction (Berlin Subdivision milepost 26), subject to the Seller's retention of an exclusive and perpetual freight rail easement, and (ii) assignable passenger rail operating rights, with the right to upgrade at Buyer's sole cost and expense, over the Seller's rail line between the point one mile east of Danville Junction (Berlin Subdivision milepost 26) and the Auburn Intermodal Facility (Berlin Subdivision milepost 29.4). Buyer may exercise this option, within four (4) years of the Closing Date, at a purchase price of Two Million Dollars (\$2,000,000). The parties shall negotiate the other terms of the option (including liability and insurance terms and Buyer's commitment to seek state funding for Seller's rail lines) in good faith, and shall incorporate those terms into a definitive option agreement (the "Option Agreement") executed at or before the Closing.

Section 3. PROPERTY AND RIGHTS TO BE CONVEYED

3.1 Subject Line

As used in this Agreement, the term "Subject Line" shall refer collectively to the right, title and interest that Seller will transfer to Buyer, and that Buyer will acquire from Seller.

3.2 Exceptions and Reservations

Seller excepts from the sale of the Subject Line, and reserves unto itself, its successors and assigns, the reservations that will be set forth in the Deed. The transfer of the Subject Line shall be subject to any and all outstanding rights of record, including

without limitation the reservation of mineral rights contained in the 1989 deed Seller received from the Canadian National Railway Company.

3.3 Certain Agreements and Improvements

The transfer of the Subject Line includes the following rights and interests of Seller appurtenant to the Subject Line:

(a) the assignment and assumption of Seller's interests and obligations in and under the Assigned Leases and the Assigned Other Agreements . A preliminary list of such Agreements is contained in Schedule 3.3. The assignment and assumption agreement to be entered into between the parties with respect to the Assigned Leases and the Assigned Other Agreements shall be in the form of **Exhibit B** attached hereto and made a part hereof (the "Assignment and Assumption Agreement"); and

(b) all improvements, fixtures, trackage and structures owned by Seller located on the Subject Line, including, without limitation, all tracks, rails, ties, signals, bridges, tunnels, culverts, trestles, switches, grade crossing materials, warning devices, ballast, subgrade, buildings, facilities, railroad communication and signal systems, wires, pipes, poles and all other trackage appurtenances; provided that transfer of Seller's right, title and interest in and to the Subject Line does not include any interest in improvements, fixtures, trackage and structures owned by any party other than Seller.

Section 4. CONSIDERATION

The consideration for the Subject Line is FOUR MILLION SEVEN HUNDRED AND FIFTY THOUSAND DOLLARS (\$4,750,000) ("Purchase Price"). The Purchase

Price shall be paid by Buyer to Seller at Closing by the delivery of a check in the amount of the Purchase Price.

Section 5. TITLE

5.1 Real Property

Except for the rights expressly reserved by Seller in this Agreement, Seller shall transfer and quit claim to Buyer all of Seller's right, title and interest in and to the Subject Line, as will be more particularly provided in the Deed.

5.2 Title Policy

Buyer shall obtain, at its sole cost and expense, a title insurance policy or commitment ("Title Policy") covering the Subject Line (or any portion thereof), insuring Buyer's right, title, and interest in and to the Subject Line (or any portion thereof) subsequent to Closing. Seller shall not be required to assume any liabilities or obligations in connection with obtaining the Title Policy, but Seller will make reasonable efforts to remove unacceptable encumbrances identified by Buyer or Buyer's title company prior to Closing; Seller's failure to remove such encumbrances shall in no case be construed as a breach of this Agreement. The issuance of a Title Policy acceptable to the Buyer shall be a condition to Closing, as set forth in Section 10.8 hereof.

Section 6. DUE DILIGENCE

6.1 Due Diligence Right of Entry.

On or prior to the Effective Date, Seller will grant Buyer and its Consultants a right of entry permit (the "Due Diligence Right of Entry"). The Due Diligence Right of

Entry shall give Buyer and its Consultants the right to enter upon the Subject Line until January 31, 2007 (the "Investigation Period"), to physically inspect the Subject Line and to make or conduct such engineering, feasibility, environmental or other inspections, tests, surveys, studies, procedures or investigations which Buyer deems necessary or advisable to determine whether the condition of the Subject Line is satisfactory to Buyer and whether the Subject Line is suitable for Buyer's intended uses; provided, however, that in connection with any entry upon the Subject Line by Buyer or by any Consultant(s) and in connection with all inspections, tests, surveys, studies, procedures, investigations or reports made or prepared by Buyer or by any Consultant(s), it is understood and agreed that Buyer and its Consultants shall be governed by the terms of the Due Diligence Right of Entry; provided, further, that the Buyer can extend the Investigation Period to February 15, 2007 if Buyer reasonably demonstrates that inclement weather prevented completion of such inspection by January 31, 2007. Buyer and its Consultants shall be entitled to exercise their rights under the Due Diligence Right of Entry, at their own expense, during the Investigation Period.

6.2 Seller has made available to Buyer, prior to the Closing Date, copies of Leases and Other Agreements, a bridge inspection report relating to the Subject Line, and other documents relating to Seller's interest in the Subject Line that were obtained as a result of a search by representatives of Seller or Affiliates of Seller. The search involved a review of those files in Montreal, QC, York, PA and Auburn, ME where such representatives believed in good faith that such records would be stored in the ordinary course of business. Except for the representation in the previous sentence regarding the nature of such search, Buyer acknowledges and agrees that all of the documents

and other information provided pursuant to this Section 6 have been provided by Seller to Buyer without any warranty or representation, express or implied, oral or written, concerning accuracy or completeness. Seller agrees to reasonably assist Buyer in completing Buyer's due diligence concerning Leases and Other Agreements in addition to those listed on Schedule 3.3 that may apply to the Subject Line.

Section 7. RESPONSIBILITY FOR CONDITION OF PROPERTY

7.1 Conditions Prior to Closing

As between the parties hereto, Seller shall be responsible for all physical conditions existing on the Subject Line prior to the Closing Date, including but not limited to environmental conditions.

7.2 Post-Closing Conditions

As between the parties hereto, each party's liability for environmental or physical conditions on the Subject Line that arise after Closing shall be determined by applicable statutory and common law.

7.3 Survivability of Covenants

Except as otherwise expressly provided herein, the covenants set forth in this Section 12Section 7 shall survive the delivery of the Deed and the Closing of the transaction contemplated by this Agreement.

Section 8. REPRESENTATIONS AND WARRANTIES

8.1 Seller's Representations and Warranties

Seller represents and warrants that as of the date hereof:

(a) **Corporate Good Standing.** It is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware and is qualified to do business in the State of Maine.

(b) **Authority.** It has full corporate power and authority to enter into this Agreement and to carry out the obligations of Seller under this Agreement.

(c) **Binding Agreement.** This Agreement has been duly authorized, executed and delivered by Seller and is a legal, valid and binding agreement of Seller, enforceable against Seller in accordance with its terms, except as such enforceability may be limited by (i) bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered a proceeding in equity or at law). The execution and delivery of this Agreement by Seller, and the consummation by Seller of the transactions contemplated hereby, will not violate any judgment or order applicable to Seller or Seller's certificate of incorporation or by-laws, and will not result in any material breach of, or constitute a material default under, or result in the creation of any material lien, charge, security interest or other encumbrance upon the Subject Line (other than those created by the transactions contemplated herein) pursuant to any note, bond, indenture, mortgage, deed of trust, bank loan or credit agreement to which Seller is a party or by which any of the Subject Line is bound.

(d) **No Notice of Condemnation, Violation of Law or Legal Action.**
Seller's Representative has no Knowledge of receiving any written notice of any

pending condemnation, violation of law or other legal action of any kind materially and adversely affecting the Subject Line.

(e) **No Litigation.** Seller's Representative has no Knowledge of any pending or threatened (in writing) litigation, administrative action, governmental investigation or examination (including, but not limited to, environmental investigations, examinations, claims and demands) directly concerning the Subject Line that would materially and adversely affect use of the Subject Line as a rail transportation corridor in a manner substantially similar to Seller's historic use of the Subject Line as a rail transportation corridor.

(f) **No Environmental Releases, Violations, Investigations or Assessments.** Seller's Representative has no Knowledge of (i) any material release of a Hazardous Material that has come to be located on or beneath any of the Subject Line; (ii) any receipt by Seller of any written governmental notice that any of the Subject Line is in violation, in any material respect, under any Environmental Law and such violation has not been cured; or (iii) any pending or threatened (in writing) investigation by any governmental authority under or in connection with any Environmental Law applicable to the Subject Line.

(g) **No Third Party Rights to Purchase.** Seller's Representative has no Knowledge that any third party (including, without limitation, any Affiliate of Seller) has any right to purchase or lease (other than under the Leases) from Seller all or any part of the Subject Line that has not been waived by such third party.

(h) **No Material Non-Compliance With Assigned Leases and Assigned Other Agreements.** Seller's Representative has no Knowledge of any material non-compliance with Seller's obligations under the Assigned Leases and the Assigned Other Agreements that has not been cured or waived.

8.2 Buyer's Representations and Warranties

Buyer represents and warrants that as of the date hereof:

(a) **Authority.** Buyer has full power and authority to enter into this Agreement and to carry out the obligations of Buyer under this Agreement.

(b) **Binding Agreement.** This Agreement has been duly authorized, executed and delivered by Buyer and is a legal, valid and binding agreement of Buyer, enforceable against Buyer in accordance with its terms to the extent permitted by Maine law. The execution and delivery of this Agreement by Buyer, and the consummation by Buyer of the transactions contemplated hereby, will not violate any judgment or order applicable to Buyer or result in any material breach of or constitute a material default under any agreements to which Buyer is a party.

(c) **No Judgments.** Buyer has no Knowledge of any actions, suits or proceedings pending or threatened against Buyer, or any other facts, that would prevent or hinder the sale and transfer of the Subject Line to Buyer.

8.3 Accuracy as of Closing

All representations and warranties contained in this Section 8 are intended to remain true and correct as of the Closing, and are deemed to be restated at Closing

except with respect to variances of which written notice is given as provided below in this Section 8.3. In the event a party (or Seller's Representative, in the case of the representations limited to the Knowledge of Seller's Representative) has Knowledge that a representation and warranty in Section 8 is no longer true and correct after the Effective Date, such party shall immediately give the other party written notice of such variance. The party benefited by the representation and warranty may elect to terminate this Agreement or may waive the variance by giving the other party written notice of such election (i) within five (5) days after such written notice of variance is given or (ii) prior to Closing in the event such notice is given within five (5) days of Closing. If the benefited party does not give timely notice of termination or waiver, then the benefited party will be deemed to have waived the variance. If this Agreement is terminated pursuant to this Section 8.3, neither party shall have any further rights or obligations under this Agreement.

8.4 Survival

Seller's representations and warranties in Sections 8.1(a) through 8.1(c), inclusive, and Buyer's representations and warranties in Sections 8.2(b) shall survive the delivery of the Deed and the Closing of the sale transaction contemplated by this Agreement. The remaining representations and warranties set forth in this Section 8 shall survive the delivery of the Deed and the Closing of the sale transaction contemplated by this Agreement for a period of two (2) years and shall then expire and terminate.

8.5 Notice of Breach

Neither Seller nor Buyer shall have any cause of action or claim for breach of representations and warranties that expire and terminate two (2) years after Closing (such party having a claim being referred to herein as a "Claimant") unless a written notice of alleged breach ("Notice of Breach") shall have been delivered by Claimant to the party claimed to be in breach within two (2) years plus ten (10) days following the Closing (the "Claims Deadline"). Failure of a Claimant to deliver a Notice of Breach by the Claims Deadline shall terminate any and all causes of action, claims or rights with respect to the alleged breach. Each Notice of Breach shall describe with reasonable specificity and particularity the nature of the alleged breach.

Section 9. DISCLAIMERS

As a material inducement to Seller to enter into this Agreement and to sell the Subject Line to Buyer, Buyer acknowledges and agrees that:

(a) Except as provided in Section 7.1, Buyer is purchasing the Subject Line in "AS-IS, WHERE-IS" CONDITION, WITH ALL FAULTS, and accepts the Subject Line in its current physical and environmental condition.

(b) Buyer is purchasing the Subject Line subject to all existing laws, statutes, ordinances, codes, rules and regulations.

(c) Seller shall not be responsible for the payment of any connection charges, fees and payments required in connection with Buyer's use of utilities, roads or other similar improvements to use the Subject Line and/or any improvements existing or hereafter constructed or placed thereon by Buyer.

(d) EXCEPT AS MAY BE EXPRESSLY SET FORTH IN WRITING HEREIN, NEITHER SELLER NOR ANY PARTY REPRESENTING SELLER HAS MADE ANY WARRANTY OR REPRESENTATION TO BUYER, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THE SUBJECT LINE, INCLUDING, WITHOUT LIMITATION, ANY WARRANTIES OR REPRESENTATIONS CONCERNING TITLE, HABITABILITY, FITNESS FOR A PARTICULAR PURPOSE, SUITABILITY, MERCHANTABILITY, QUALITY OF WORK, STRUCTURAL INTEGRITY, COMPLIANCE WITH FEDERAL RAILROAD ADMINISTRATION REGULATIONS, ENVIRONMENTAL CONDITIONS, EXPENSES TO BE INCURRED IN CONNECTION WITH THE PROPERTY, ZONING, BUILDING CODE, PLATTING, SUBDIVISION, ACCESS, AVAILABILITY OF UTILITIES OR COMPLIANCE WITH ANY LAWS, STATUTES, ORDINANCES, CODES, RULES OR REGULATIONS.

(e) This Section 9 shall survive the Closing of the sale transaction contemplated herein and the delivery of the Deed.

Section 10. CONDITIONS PRECEDENT TO CLOSING AND TERMINATION RIGHTS

Notwithstanding the execution of this Agreement by the parties, the performance by Seller and Buyer of the Closing are subject to fulfillment of the following conditions on or prior to the Closing Date (unless a different date is indicated):

10.1 No Legislative, Judicial or Administrative Action

Neither Seller nor Buyer shall be prevented from fulfilling their respective obligations under this Agreement as a result of legislative, judicial or administrative action.

10.2 Seller's Board Approval

Seller shall have received all necessary approvals from its Board of Directors to consummate the transactions contemplated by this Agreement under all of the terms and conditions hereof.

10.3 Buyer's Approval

Buyer shall have received all necessary approvals to consummate the transactions contemplated by this Agreement under all of the terms and conditions hereof including the approval of the Governor of the State of Maine.

10.4 Representations of Seller

Subject to Section 8.3, all representations and warranties made by Seller under this Agreement shall be true and correct and all covenants of Seller to be performed before Closing shall have been performed in all material respects, as of the Closing Date.

10.5 Representations of Buyer

Subject to Section 8.3, all representations and warranties made by Buyer under this Agreement shall be true and correct and all covenants of Buyer to be performed before Closing shall have been performed in all material respects, as of the Closing Date.

10.6 Approval of Legal Descriptions

Buyer and Seller will reach agreement on a legal description of the Subject Line acceptable to Buyer and Buyer's title insurance company to be included in the Deed.

10.7 Automatic Termination

This Agreement shall automatically terminate if any applicable condition precedent to Closing remains unsatisfied as of March 15, 2007. In such event, neither party shall have any further rights or obligations under this Agreement.

10.8 Title Policy

Buyer shall obtain a Title Policy acceptable to Buyer, as set forth in Section 5.2 hereof.

10.9 Subdivision Approval

Seller shall be responsible, at its sole cost and expense, for obtaining any subdivision approval that may be required in connection with the conveyance of the Subject Line.

10.10 STB Jurisdictional Determination

Buyer shall have secured from the STB a determination satisfactory to Buyer and Seller that the transactions contemplated by this Agreement do not require STB exemption or approval and will not make Buyer subject to the jurisdiction of the STB. Seller shall have the right to review and comment on any STB submissions prior to filing.

10.11 Assigned Leases and Assigned Other Agreements.

Assigned Leases and Assigned Other Agreements shall be reasonably acceptable to Buyer.

10.12 Operating Agreement

Buyer and Seller shall have agreed upon the terms and conditions of the Operating Agreement on or prior to January 15, 2007.

10.13 Environmental

(a) The Phase I Environmental Site Assessment of the Subject Line performed by Seller's consultant shall be issued in final form with no material changes from the draft reported dated December 15, 2006, except that Section 1.4 shall be modified to state that the report may be relied upon by Buyer.

(b) There shall have been no material change in the condition of the Subject Line since December 1, 2006, the date of the site reconnaissance that is the basis for the Phase I Environmental Site Assessment.

10.14 Inspection

Buyer shall be satisfied with the results of any inspections of the Subject Line that Buyer elects to perform and review of documents and information related to the Subject Line.

10.15 Limitation on Certain Claims

Unless waived by Seller, Buyer and Seller shall have agreed to a maximum aggregate liability of the Seller for breach of a representation or warranty contained in Sections 8.1(d) through (g), inclusive, in an amount acceptable to the Seller in its sole discretion.

[This space intentionally left blank]

Section 11. CLOSING

11.1 Closing

The consummation of the transactions contemplated by this Agreement (the "Closing") shall occur on February 28, 2007, at a mutually agreeable time and location, unless an applicable condition precedent to Closing remains unsatisfied as of such date, in which case Closing shall be two (2) days after the last such condition precedent is met or waived, subject to the limits of Section 10.7.

11.2 Seller's Deliveries to Buyer

At the Closing, Seller shall deliver to Buyer: (i) the Deed, (ii) the settlement statement, (iii) the document described as **Exhibit B** as duly executed and acknowledged by Seller (in the form of such Exhibit), (iv) a certificate signed by Seller's Secretary, certifying that Seller is authorized to enter into this Agreement and the Related Agreements, and to consummate the transactions contemplated thereby, (v) an executed certificate or affidavit, in a form complying with the applicable requirements of the Internal Revenue Code, stating that Seller is not a "foreign person" as that term is used in the Internal Revenue Code, (vi) an executed copy of the Option Agreement and (vii) an executed transfer tax declaration, Seller's affidavit, Seller's certificate of good standing, Seller's corporate resolution authorizing the sale of the Subject Line, Seller's corporate resolution authorizing sale, Seller's corporate good standing certificate, Seller's secretary's certificate, FIRTPA affidavit, Form REW-3 Residency Affidavit, Form W-9 Taxpayer ID number and certification, Underground Oil Storage Facility Disclosure, and any other documents required by Buyer's title insurance company to issue a title insurance policy satisfactory to Buyer.

11.3 Buyer's Deliveries to Seller

At the Closing, Buyer shall deliver to Seller: (i) the Purchase Price, (ii) the settlement statement, (iii) an executed copy of the Option Agreement; and (iv) the documents described as **Exhibits B** as duly executed and acknowledged by Buyer (in the form of such Exhibits).

11.4 Further Assurances

At the Closing, each of Seller and Buyer shall deliver to the other any and all other documents reasonably necessary and appropriate for the consummation of the transactions contemplated by this Agreement; provided that neither party's delivery of any such documents shall create or expand any obligations under this Agreement or the Related Agreements.

Section 12. POST-CLOSING COVENANTS

12.1 Covenant Regarding Certain Leases and Other Agreements

If, after the Closing, Seller or Buyer discovers any Leases or Other Agreements that apply to the Subject Line and that would have been assigned to Buyer (given their nature) if discovered prior to Closing, Seller and Buyer shall amend the Assignment and Assumption Agreement to include such Leases and Other Agreements.

12.2 Survivability of Covenants

Except as otherwise expressly provided herein, the covenants set forth in this Section 12 shall survive the delivery of the Deed and the Closing of the transaction contemplated by this Agreement.

Section 13. ADJUSTMENTS

13.1 Taxes

The real property taxes and special assessments on the Subject Line shall be prorated as of the Closing Date, except that assessments of record that are not yet due and payable shall be assumed by Buyer. If the Closing occurs prior to the availability of the tax amounts for the applicable tax period, a temporary proration shall be used to calculate the amount of the proration from the prior tax period. The parties shall make any necessary adjustments when the applicable tax amounts are available.

13.2 Rents

All rents and other amounts paid to Seller under the Assigned Leases and Assigned Other Agreements and attributable to periods prior to the Closing Date shall be retained by Seller, and all such rents and other amounts attributable to and collected by Seller for periods subsequent to the Closing Date shall be credited to Buyer. Buyer shall have no obligation to collect any such rents or other amounts due but uncollected prior to the Closing Date, but shall promptly forward to Seller any such rents or other amounts received by Buyer. Any security deposits under such Assigned Leases and Assigned Other Agreements shall be transferred to Buyer as of the Closing, and Buyer shall execute a document acknowledging receipt of any such deposits and agreeing to hold them in accordance with the terms in the applicable Assigned Leases and Assigned Other Agreements.

13.3 Utilities

All accounts of Seller for water, sewer, gas, electrical, telephone and other public utilities, if any, payable by Seller with respect to the Subject Line shall be retained by Seller.

13.4 Other Income and Expenses

All other income and expenses attributable to the operation of the Subject Line shall be apportioned between Seller and Buyer as of the Closing Date, except to the extent that such income or expenses relate to Seller's freight rail activities on the Subject Line or as otherwise provided in this Agreement or the Related Agreements.

13.5 Closing Costs

All recording, filing, documentary and similar fees and taxes payable in connection with the sale transaction contemplated by the Agreement shall be paid by Buyer. If Buyer elects to obtain title insurance, Buyer shall pay all costs and premiums charged for such insurance. Seller and Buyer shall each pay any costs and expenses (such as attorneys' and consultants' costs and expenses) incurred by such party in connection with the transactions contemplated by this Agreement not adjusted or allocated as set forth in this Section 13 or otherwise provided for in this Agreement.

13.6 Freight Rail Activities

The foregoing provisions of this Section 13 are not intended to prorate revenues or expenses from any freight rail activities on the Subject Line occurring prior to or after the Closing Date.

Section 14. DEFAULT AND REMEDIES

In the event that Buyer or Seller fails to perform or comply with any of its obligations or the terms contained in this Agreement, the injured party shall have all rights and remedies available at law or in equity, which remedies shall be nonexclusive, except for circumstances where an exclusive remedy is specified elsewhere in this Agreement.

Section 15. MISCELLANEOUS

15.1 No Brokers

Seller and Buyer each warrant and represent to the other that no real estate brokers', agents' or finders' fees or commissions are due or arising in connection with the execution of this Agreement or the consummation of the transactions contemplated herein.

15.2 Time of the Essence

Time is important to both Seller and Buyer in the performance of this Agreement, and they have agreed that strict compliance is required as to any date set forth herein. If the final date of any period which is set forth in any term or condition of this Agreement falls upon a Saturday, Sunday or legal holiday under the laws of the United States or the state in which the Subject Line is located, then, and in such event, the time of such period shall be extended to the next day which is not a Saturday, Sunday or legal holiday.

15.3 Notices

Any notice required or desired to be given to either party hereto shall be deemed to be delivered, if delivered to the addresses and the parties specified below (i) on the date of delivery, if hand delivered, (ii) one day after sending, if sent by overnight courier, or (iii) if sent by registered or certified mail, three (3) days after the same is posted by registered or certified mail, postage prepaid, to the address of the applicable party set out below. Either party hereto may change such party's address for notice, but until written notice of such change of address is actually received by the other party, the last address of such party designated for notice shall remain such party's address for notice.

(a) If intended for Seller:

ST. LAWRENCE & ATLANTIC RAILROAD COMPANY
415 Rodman Road
Auburn, ME 04210
ATTN: GENERAL MANAGER

With a copy to:

Allison Fergus
General Counsel
Genesee & Wyoming, Inc.
66 Field Point Road
Greenwich, CT 06830

(b) If intended for Buyer:

STATE OF MAINE
Department of Transportation
26 State House Station
Augusta, ME 04333-0026
Attn: Ron Roy

With a copy to:

STATE OF MAINE
Department of Transportation
16 State House Station
Augusta, ME 04333-0026
Attn: Toni Kemmerle

15.4 Entire Agreement; Severability

This Agreement (together with the Exhibits, Schedules and the Related Agreements, which are hereby incorporated by reference as if fully set forth herein) contains the entire agreement between Seller and Buyer with respect to the subject matter hereof and supersedes all prior or contemporaneous oral or written agreements between Seller and Buyer with respect thereto. If any term, covenant or provision of

this Agreement, or the application thereof to any person or circumstance, shall ever be held to be illegal, invalid or unenforceable, then, in such event, the remainder of this Agreement or the application of such terms, covenants and provisions hereof shall remain valid and enforceable to the fullest extent permitted by law. Furthermore, any such invalidity or unenforceability of a term, covenant or provision of this Agreement shall not be deemed to affect the validity or effectiveness of the remaining terms and provisions of this Agreement.

15.5 Amendments in Writing

No modification or amendment of this Agreement shall be of any force or effect unless made in writing and executed by both Seller and Buyer.

15.6 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the United States of America and the State of Maine.

15.7 Headings

The Section headings in this Agreement are for convenience only and shall not be used in its interpretation or considered part of this Agreement.

15.8 Counterparts

This Agreement may be executed in any number of counterparts each of which shall be deemed an original, but all of which together shall constitute one and the same instrument

15.9 No Third Party Beneficiary

No provision of this Agreement shall be construed as intended for the benefit of any third party.

EXECUTED by Seller and Buyer as of the date first written above.

SELLER:

ST LAWRENCE & ATLANTIC RAILROAD
COMPANY, a Delaware corporation

By: _____

Name: _____

Title: _____

BUYER:

STATE OF MAINE,
acting by and through its Department of
Transportation

By: _____

Name: _____

Title: _____

QUITCLAIM DEED

Exhibit B

ST. LAWRENCE & ATLANTIC RAILROAD COMPANY, a Delaware corporation ("Grantor"), whose mailing address is 415 Rodman Road, Auburn, Maine 04210, for consideration paid, hereby grants to the **STATE OF MAINE**, acting by and through its **DEPARTMENT OF TRANSPORTATION** ("Grantee"), whose mailing address is 16 State House Station, Augusta, Maine 04333-0016, all of Grantor's right, title, and interest (except as hereinafter reserved) in the property located in the **City of Portland** and in the **Towns of Falmouth, Cumberland, and Yarmouth**, Cumberland County, Maine, described in Exhibit A and depicted in Exhibit B attached hereto and made a part hereof, which property is hereinafter referred to as the "Railroad Line."

EXCEPTING AND RESERVING to Grantor, its successors, and permitted assigns, a perpetual, exclusive easement in, on, under, over, and through the Railroad Line for purposes of conducting Grantor's freight rail operations and otherwise to fulfill Grantor's obligations as a common carrier railroad under applicable laws and regulations (the "Freight Railroad Easement"); *provided, however*, that the Freight Railroad Easement shall terminate upon the recording in the Cumberland County Registry of Deeds of a final order or other evidence of action by the United States Surface Transportation Board (or successor agency) permitting the holder of the Freight Railroad Easement either to abandon the Railroad Line or to discontinue freight operations over the Railroad Line; *provided, further*, that in the event of an abandonment or discontinuance of freight operations over part (but not all) of the Railroad Line, the Freight Railroad Easement over that part of the Railroad Line shall terminate upon the recording in the Cumberland County Registry of Deeds of a final order or other evidence of action by the United States Surface Transportation Board (or successor agency) permitting either such partial abandonment or partial discontinuance of freight operations. Contemporaneously with the delivery of this Quitclaim Deed, Grantor and Grantee are entering into an Operating Agreement pertaining to the Railroad Line (the "Operating Agreement"). So long as the Operating Agreement remains in effect and has not been terminated, the terms and conditions of the Freight Railroad Easement shall be those contained in the Operating Agreement (as the Operating Agreement may be amended from time to time).

IN WITNESS WHEREOF, St. Lawrence & Atlantic Railroad Company has caused this Quitclaim Deed to be signed as an instrument under seal by [INSERT], its [INSERT], duly authorized, this ____ day of _____, 200__.

ATTEST:

ST. LAWRENCE & ATLANTIC
RAILROAD COMPANY

Name: _____

By: _____
Print Name: _____
Its _____

STATE OF _____
COUNTY OF _____, 200__

Personally appeared the above-named _____ in his/her capacity as
_____ of St. Lawrence & Atlantic Railroad Company and acknowledged the
foregoing instrument to be his/her free act and deed and the free act and deed of said corporation.

Before me,

Notary Public/Attorney-at-Law

Printed Name: _____

OPERATING AGREEMENT

THIS OPERATING AGREEMENT ("Agreement") is dated as of __, 2007 (the "Effective Date"), by and between ST. LAWRENCE & ATLANTIC RAILROAD COMPANY, a Delaware corporation ("SLR"), and THE STATE OF MAINE, acting by and through its Department of Transportation ("MAINE DOT").

RECITALS:

A. Pursuant to a Purchase and Sale Agreement between SLR and MAINE DOT dated December 29, 2006 ("Sale Agreement"), MAINE DOT is acquiring from SLR a line of railroad between approximately milepost 1.74 at Deering, Maine and approximately milepost 12.163 just south of the diamond crossing at Yarmouth Junction, Maine, as more particularly described in the Quitclaim Deed attached hereto as Exhibit A (the "Subject Line").

B. MAINE DOT's acquisition of the Subject Line is subject to SLR's reservation of an exclusive and perpetual freight railroad operating easement on the Subject Line ("Freight Easement"), contained in the Quitclaim Deed.

C. This Agreement sets forth the terms and conditions applicable to SLR's freight rail operations on the Subject Line pursuant to the Freight Easement and MAINE DOT's rights and obligations with respect to the Subject Line after its acquisition by MAINE DOT (including MAINE DOT's rights with respect to passenger rail service on the Subject Line).

NOW, THEREFORE, in consideration of the mutual covenants in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are

acknowledged, SLR and MAINE DOT, intending to be legally bound hereby, agree as follows:

SECTION 1. DEFINITIONS

Any capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Sale Agreement. In addition to terms defined elsewhere in this Agreement, the following capitalized terms shall have the following meanings:

"Agreement" shall mean this Operating Agreement dated as of the Effective Date by and between SLR and MAINE DOT.

"Construction Commencement Date" shall mean the date on which MAINE DOT commences construction of the first Subject Line Upgrade (if any).

"Effective Date" shall mean the date of execution of this Agreement, as indicated on the first page hereof.

"Excursion Train Service" shall mean the operation of passenger trains, other than the operation of trains in Passenger Rail Service, where the primary purpose of such trains is entertainment or recreation and not transportation from origins to destinations.

"Freight Easement" shall have the meaning set forth on the first page hereof.

"Freight Only Changes and/or Additions" shall mean any material additions or betterments that are designed solely for use in SLR's freight rail operations on the Subject Line and are not required for MAINE DOT's passenger rail operations on the Subject Line.

"Hazardous Materials" shall mean any material or substance that is defined as a hazardous substance, hazardous material, or hazardous waste under the

Comprehensive Environmental Response, Compensation and Liability Act, the Federal Water Pollution Control Act, the Clean Air Act or any other federal or state laws.

"Other Track Material" shall mean fastenings, tie plates, spikes, switches, switch mechanisms, and frogs with associated materials, but excluding ballast.

"Passenger Rail Service" shall mean the operation of passenger trains of any kind other than Excursion Train Service, including without limitation trains providing *regularly-scheduled service for the transportation of commuters or intercity passengers.*

"Passenger Service Commencement Date" shall mean the date (if any) on which MAINE DOT commences Passenger Rail Service on the Subject Line.

"PRS Contractor" shall mean the Northern New England Passenger Rail Authority ("NNEPRA") or its successor or any contractor engaged by MAINE DOT or by NNEPRA to provide services in connection with MAINE DOT's maintenance, design and construction of improvements, operation of Excursion Train Service or the operation of Passenger Rail Service, or other authorized activities on the Subject Line, including the services (if any) provided by SLR or any of its Affiliates if selected to provide any such service to MAINE DOT under a contract other than this Agreement.

"RCR" shall mean the AAR Quarterly Index of Chargeout Prices and Wage Rates (Table C) - East, material prices, wage rates and supplements combined (excluding fuel) as calculated by the Association of American Railroads.

"Subject Line Upgrade(s)" shall mean any material improvements or betterments that MAINE DOT may elect to construct on the Subject Line.

SECTION 2. OPERATING TERMS

2.1 Retained Freight Operating Rights

(a) SLR currently provides, and shall have the exclusive right to continue to provide, local and overhead freight rail service to current and future freight rail shippers, receivers, consignees, and other entities that are located on the Subject Line or that may be seeking freight rail service over or on the Subject Line in the future. Subject to the terms and conditions of this Agreement and with the prior express written consent of MAINE DOT, which consent shall not be unreasonably withheld, conditioned or delayed, SLR shall have the exclusive right to admit other freight railroads to the Subject Line or to provide freight rail service on the Subject Line for other freight railroads. SLR retains the obligation to provide common carrier freight rail service to shippers, receivers, consignees or other entities located on the Subject Line (or using the Subject Line for overhead service) as of the Effective Date. SLR may market, price and provide its services on the Subject Line to shippers and receivers of freight without restriction or interference of any kind by MAINE DOT. SLR shall provide such services and exercise such other rights as it has pursuant to the Freight Easement and this Agreement in a manner that does not unreasonably interfere with Excursion Train Service or Passenger Rail Service.

(b) Except as provided in Section 2.3 as a condition to MAINE DOT's commencement of Passenger Rail Service, SLR shall not sell, lease or otherwise transfer the Freight Easement to another entity without the prior express written consent of MAINE DOT, which consent shall not be unreasonably withheld, conditioned or delayed.

(c) SLR expressly retains the right to sell or transfer all or substantially all of its assets, merge with another entity, or be acquired by another entity; provided

that this Agreement shall be binding on any such purchaser, lessee, or transferee and any successor(s) or permitted assignee(s) of SLR. SLR expressly retains the right to seek STB authority to abandon its common carrier rights and obligations on the Subject Line or to impose lawful embargoes suspending freight rail service on the Subject Line; provided that SLR's right to seek abandonment or impose such embargoes shall not diminish any of its obligations to MAINE DOT under this Agreement. MAINE DOT shall not oppose any application, exemption petition, exemption notice or similar request for authority relating to such actions concerning the Subject Line that SLR files with the STB or any other government agency. Nothing in this Agreement shall be construed as creating any new right that MAINE DOT did not have prior to the Effective Date of this Agreement, or as enlarging or abridging any rights that MAINE DOT had prior to the Effective Date of this Agreement, to oppose any embargo that MAINE DOT deems to be unlawful.

(d) MAINE DOT expressly declines to assume any obligation to provide common carrier freight rail service on the Subject Line. Neither MAINE DOT nor any person or entity other than SLR (or its successors or permitted assigns) shall be permitted to provide any type of freight rail service on the Subject Line. Without limiting the generality of the foregoing, MAINE DOT shall not transport for hire packages, mail, diesel fuel, or freight of any kind on the Subject Line; provided, however, that nothing herein shall prohibit the transport in passenger rail cars of those things ordinarily or reasonably carried by passengers on those cars, or the transport of goods and supplies used in and for the construction of a Subject Line Upgrade (if any), or the operation and maintenance of Excursion Train Service or Passenger Rail Service.

2.2 Subject Line Upgrades

(a) MAINE DOT shall have the right (but not the obligation), at its sole cost and expense, to design and construct Subject Line Upgrades. Subject Line Upgrades shall be designed and constructed in accordance with all applicable laws, rules and regulations and railroad industry standards and to ensure interoperability with the systems operated by SLR and other U.S. freight railroads.

(b) MAINE DOT shall deliver to SLR a set of Plans (including available schematic drawings and specifications) (collectively, "Plans") for any Subject Line Upgrade at least ninety (90) days prior to the date it intends to commence construction. The first such set of Plans shall state the intended Construction Commencement Date. The proposed design or location of any Subject Line Upgrade shall not materially interfere with SLR's use of the Subject Line for freight rail service. SLR shall have the right to provide comments on such Plans within thirty (30) days after receipt thereof, and MAINE DOT shall provide SLR with a copy of any material revisions to such Plans prior to the Construction Commencement Date or, in the case of material modifications to such Plans after the Construction Commencement Date, as promptly thereafter as such revised Plans become available. MAINE DOT shall retain the right, in its sole discretion, to decide whether to modify any such Plans.

(c) MAINE DOT may commence the first Subject Line Upgrade on or after the intended Construction Commencement Date and any subsequent Subject Line Upgrade on or after the date set forth in the Plans. MAINE DOT shall construct Subject Line Upgrades at such times and in such a manner as to not unreasonably interfere with, delay or endanger SLR's freight rail operations on the Subject Line. MAINE DOT

shall deliver to SLR, and shall update on a monthly basis, a detailed schedule for the construction of Subject Line Upgrades showing both the sequence and location of such construction work. SLR shall have ten (10) days from receipt to comment on such schedules. The parties shall then consult with each other in order to coordinate the scheduling of such construction work. MAINE DOT shall retain the right, in its sole discretion, to proceed with such Subject Line Upgrades whether or not such consultations result in an agreement concerning scheduling. Except as otherwise provided in Section 2.2(d) and except for Subject Line Upgrades initiated after the Changeover Date, as defined in Section 2.6 below, SLR acknowledges and agrees that, during construction of any Subject Line Upgrade, MAINE DOT (and its PRS Contractors) shall have exclusive access to the Subject Line on each day when SLR is not scheduled to operate freight rail service on the Subject Line and non-exclusive access with flagging (at the sole cost and expense of MAINE DOT or its PRS Contractors) on days when SLR is scheduled to operate such freight rail service on the Subject Line. SLR shall provide MAINE DOT at least 30 days' prior notice in the event SLR intends to change the days or hours of operation of its freight rail service.

(d) At MAINE DOT's election, and its sole cost and expense, MAINE DOT may direct SLR to impose a temporary embargo on all or a portion of the Subject Line during all or some portion of the construction period. MAINE DOT must provide SLR with at least sixty (60) days' notice if it elects this option and the length of the embargo must be minimized to the shortest period necessary for completing the Subject Line Upgrade in a reasonably efficient manner that minimizes disruption to SLR's freight service obligations. MAINE DOT must reimburse SLR for all actual and reasonable

out-of-pocket costs and expenses incurred by SLR as a direct result of shutting down SLR's freight service on the Subject Line during the period of any such embargo, including (1) all costs and expenses necessary to reroute freight from/to customers on the Subject Line and to reroute SLR overhead traffic by truck to/from SLR's Auburn, Maine facility during the affected portion of the construction period, (2) the difference (if any) between SLR's cost of moving such freight to/from the Auburn facility by truck and SLR's cost of moving such freight over the Subject Line by rail and (3) any additional costs, expenses or damages (including transload costs but excluding such items as lost profits, consequential damages or punitive damages) incurred by SLR as a result of such rerouting activities. If SLR seeks reimbursement for any such costs, SLR shall provide MAINE DOT with a detailed statement showing the amount of such costs and the basis of any calculations, together with adequate supporting documentation. MAINE DOT shall have the right to request additional information from SLR and to inspect the books and records of SLR in order to verify the amount and validity of any such costs. If any SLR shipper, receiver or overhead customer served by the Subject Line challenges any such embargo as being unlawful, then MAINE DOT shall, at its option, either authorize SLR to suspend the embargo for the relevant shipper, receiver or overhead customer during the affected portion of the construction period or direct SLR to continue the embargo; provided, however, that in the event that MAINE DOT directs SLR to continue the embargo, MAINE DOT shall assume responsibility for the costs of defending the lawfulness of the embargo and of any damages payable to the relevant shipper, receiver or overhead customer in the event that the embargo is determined to be unlawful and damages are awarded.

(e) MAINE DOT will use PRS Contractors to design and construct any Subject Line Upgrade. Such PRS Contractors must have railroad construction experience and have bonding coverage consistent with reasonable and customary standards within the railroad industry and shall agree to waive any and all rights or causes of action against SLR for any and all loss of, or damage to, any property owned or used by PRS Contractors and any property owned by third parties in the custody or control of PRS Contractors.

(f) In the event that MAINE DOT elects to construct any Subject Line Upgrade, MAINE DOT shall require its PRS Contractors to procure and maintain, prior to the Construction Commencement Date, at the sole cost and expense of parties other than SLR, the insurance coverage specified below. All insurance shall be placed on an occurrence or claims made basis with insurance carriers that are licensed to do business in Maine and that are reasonably acceptable to SLR. The insurance coverage shall consist of the following:

- (i) Railroad Protective Liability Insurance covering liability imposed on MAINE DOT and its PRS Contractors with respect to all construction activities on the Subject Line. SLR shall be named as an additional insured and the policy shall contain a waiver of subrogation against SLR. Coverage under this policy shall have limits of liability not less than Two Million Dollars (\$2,000,000) per occurrence and not less than Six Million Dollars (\$6,000,000) in the aggregate;

- (ii) General Liability Insurance, with limits of liability not less than Two Million Dollars (\$2,000,000) per occurrence and not less than Twenty-Five Million Dollars (\$25,000,000) in the aggregate. SLR shall be named as an additional insured and the policy shall contain a waiver of subrogation against SLR;
- (iii) Workers' Compensation Insurance to the extent required by Maine law;
- (iv) Builders' Risk Insurance from the PRS Contractors selected by MAINE DOT which includes Direct Damage Insurance with limits of liability not less than Twenty-Five Million Dollars (\$25,000,000) and Earthquake and Flood Insurance with limits of liability not less than Ten Million Dollars (\$10,000,000).

(g) All rail, reusable ties and Other Track Material removed during the Subject Line Upgrades will become the property of SLR. SLR shall remove these materials from the Subject Line upon receiving written notice of their availability from MAINE DOT or its PRS Contractor, shall remove such materials in a manner that does not interfere with construction and shall handle and manage these materials in accordance with applicable laws and regulations. If SLR fails to remove such materials from the Subject Line within ninety (90) days after receiving notice from MAINE DOT or its PRS Contractor, MAINE DOT may after giving 10 days' notice of its intent to do so

remove such materials to a reasonable location adjacent to the Subject Line and invoice SLR for the cost and expense of such removal and any storage charges.

2.3 Excursion Train and Passenger Rail Services

(a) MAINE DOT has the right to use the Subject Line for operation of Excursion Train Service and the operation of Passenger Rail Service. Except in the capacity of a PRS Contractor, SLR shall not have the right to use the Subject Line for operation of Excursion Train Service or the operation of Passenger Rail Service.

(b) No person or entity other than MAINE DOT or its PRS Contractor(s), or their successors or assigns, shall be permitted to provide Excursion Train Service or Passenger Rail Service on the Subject Line. MAINE DOT shall have the exclusive right, in its sole discretion, to select persons or entities to provide Excursion Train Service or Passenger Rail Service. As a condition to use of the Subject Line for Excursion Train Service or Passenger Rail Service, MAINE DOT (or its PRS Contractor) shall procure and maintain insurance meeting the aggregate limit and otherwise satisfying the applicable requirements of 23 M.R.S.A. § 8012 (as such statute may be amended from time to time), which insurance shall name SLR as an additional insured.

(c) As a further condition to use of the Subject Line for Excursion Train Service, MAINE DOT agrees that Excursion Train Service shall be subject to the dispatching control of SLR for so long as SLR dispatches the Subject Line and shall not unreasonably interfere with SLR's freight rail operations on the Subject Line. For Excursion Train Service operated prior to the Passenger Service Commencement Date,

MAINE DOT shall provide a minimum of 7 days' advance notice to SLR of the schedule established by the operator of the Excursion Train Service before MAINE DOT or its PRS Contractor may operate such Excursion Train Service, and the parties shall negotiate in good faith to resolve any coordination issues prior to commencement of Excursion Train Service; provided, however, that SLR's freight service shall not unreasonably interfere with Excursion Train Service.

(d) As a further condition to use of the Subject Line for Passenger Rail Service, MAINE DOT shall provide SLR with written notice of its intention to do so at least one (1) year prior to the Passenger Service Commencement Date. Simultaneously with such written notice, MAINE DOT shall use its best efforts to select and identify a potential freight railroad operator satisfactory to MAINE DOT that is willing to accept assignment of SLR's Freight Easement and attendant common carrier obligations on the Subject Line as of or prior to the Passenger Service Commencement Date. If MAINE DOT is able to select such a freight railroad operator and SLR and such freight rail operator are able to negotiate mutually acceptable terms and conditions for the coordination of operations on the Subject Line within sixty (60) days prior to the Passenger Service Commencement Date, then SLR shall assign the Freight Easement to such freight railroad operator and, at the option of MAINE DOT, SLR shall (i) assign this Agreement to such freight railroad operator or (ii) MAINE DOT shall negotiate a new operating agreement with such freight railroad operator and, in the case of (i) or (ii) above, SLR shall terminate its operations on the Subject Line as of the Passenger Service Commencement Date or the date on which such freight railroad operator assumes its operations on the Subject Line, whichever occurs first. If MAINE DOT is

not able to select and identify such a freight railroad operator or if SLR and MAINE DOT's designee are not able to negotiate mutually acceptable terms and conditions for the coordination of operations on the Subject Line by such other freight operator and operations of SLR on its other lines within sixty (60) days prior to the Passenger Service Commencement Date, then MAINE DOT and SLR shall jointly operate on the Subject Line; provided that after the Passenger Service Commencement Date: freight shall operate only between 11 PM and 4:30 AM on such days as SLR shall designate in its schedule, which shall be provided to MAINE DOT, and Passenger Rail Service, Excursion Train Service, Subject Line maintenance and any Subject Line Upgrades shall take place only on such days and at such times as freight service is not operating; and MAINE DOT and SLR agree to use their best efforts to amend 23 M.R.S.A. § 8012 to cover the freight operations of SLR on the Subject Line.

2.4 SLR's Right to Make Freight Only Changes and/or Additions

(a) SLR shall have the right, at its sole cost and expense, to design and construct Freight Only Changes and/or Additions to the Subject Line, including without limitation the construction, reconstruction, alteration, modification or relocation of turnouts, sidetracks, industrial spur tracks or other facilities related to SLR's freight operations at locations determined by SLR and any other improvements deemed necessary or desirable by SLR for its freight operations; provided, however, that any such Freight Only Changes and/or Additions shall not unreasonably interfere with Passenger Rail Service or Excursion Train Service. MAINE DOT shall not have the right to use Freight Only Changes and/or Additions for any purpose without the prior express written consent of SLR, which consent may be withheld in SLR's sole

discretion. The design or location of such Freight Only Changes and/or Additions shall be conducted in accordance with all applicable laws, rules and regulations, shall follow sound engineering and architectural practices, and shall not unreasonably interfere with Passenger Rail Service or Excursion Train Service on the Subject Line. SLR shall construct such Freight Only Changes and/or Additions in such a manner so as not to unreasonably interfere with any Passenger Rail Service or Excursion Train Service and shall reimburse MAINE DOT for any additional operating costs of Passenger Rail Service or Excursion Train Service (including bus bridge costs) if such construction unreasonably interferes with Passenger Rail Service or Excursion Train Service.

(b) SLR shall deliver to MAINE DOT copies of the Plans for such Freight Only Changes and/or Additions at least thirty (30) days prior to commencing construction of such Freight Only Changes and/or Additions. MAINE DOT shall have fifteen (15) days to review and approve such Plans, and such approval shall not be unreasonably withheld, conditioned or delayed .

2.5 Additional PRS Contractor Provision

Any contract between MAINE DOT and a PRS Contractor (other than SLR or one of its Affiliates) providing operating, maintenance, design or construction of improvements, or other services on or related to the Subject Line shall authorize prompt termination by MAINE DOT if such PRS Contractor's actions or inactions cause MAINE DOT to breach this Agreement. MAINE DOT's use of a PRS Contractor shall not relieve MAINE DOT of its obligations to SLR under this Agreement.

2.6 Maintenance Obligations

(a) Subject to Section 2.6(b), SLR shall at its sole cost and expense maintain, repair and renew the Subject Line at no less than Federal Railroad Administration ("FRA") Class II standard (except for those segments of the Subject Line listed on **Schedule 2.6** attached hereto, which shall be maintained at FRA Class I track standards, or any additional segments that Maine DOT may, upon the request of SLR, authorize SLR to maintain at FRA Class I track standards). Such maintenance shall include any necessary repair of trackage and structures (including without limitation bridges), installation of ties and ballast, surfacing work and replacement in-kind of existing facilities such as trackage, structures and signals. In conducting such maintenance, SLR shall use reasonable and customary care, skill and diligence and shall comply with all applicable laws, regulations and rules. SLR shall have no obligation to pay any per car or other fee to MAINE DOT for using the Subject Line during the period that SLR is responsible for maintenance.

(b) MAINE DOT (or a PRS Contractor) shall at its sole cost and expense assume sole and exclusive responsibility for maintaining, repairing and renewing the Subject Line (including any switches and turnouts connecting the main line to shipper sidings) as of the Passenger Service Commencement Date (if any) or the Construction Commencement Date (if any), whichever occurs first (herein, the "Changeover Date"). MAINE DOT shall maintain the Subject Line at no less than FRA Class II standards (except for those segments of the Subject Line listed on **Schedule 2.6** that, at the Changeover Date, are not maintained to FRA Class II or higher by SLR, which SLR shall list in writing at the Changeover Date). Such maintenance shall include any necessary repair of trackage and structures (including without limitation bridges),

installation of ties and ballast, surfacing work and replacement in-kind of existing facilities such as trackage, structures and signals. In conducting such maintenance, MAINE DOT (or its PRS Contractor) shall use reasonable and customary care, skill and diligence and shall comply with all applicable laws, regulations and rules.

(c) If MAINE DOT becomes responsible for maintenance of the Subject Line pursuant to Section 2.6(b), SLR thereafter shall pay to MAINE DOT on a monthly basis in arrears, a per-car fee of 50 cents per car mile for every car that SLR operates over the Subject Line. Within 30 days after the end of each calendar quarter, SLR shall provide MAINE DOT with a report showing the number of car miles operated during such preceding quarter and tendering payment of the amount due. MAINE DOT shall have the right to inspect the books and records of SLR as they pertain to the Subject Line in order to verify the information in such reports and the amounts of such payments. The per-car fee shall be subject to annual adjustment as of January 1 of each year during the term of this Agreement, beginning January 1, 2008, based on the RCR. The method of adjusting such fees shall be to calculate the percent of increase or decrease in the most recent available RCR as of the time of such adjustment as related to the RCR upon which the immediately preceding adjustment was based (using the most recent available RCR for January 1, 2007 to make the initial adjustment as of January 1, 2008). The parties shall negotiate in good faith if the per-car fee (as adjusted by the RCR) becomes disproportionate to market rates.

(d) MAINE DOT may at its sole cost and expense retain a PRS Contractor to perform such maintenance on the Subject Line. MAINE DOT may retain SLR as the PRS Contractor to perform such maintenance on the Subject Line. If SLR is

not retained by MAINE DOT as the maintenance PRS Contractor, MAINE DOT or its PRS Contractor must perform the maintenance without unreasonably interfering with SLR's activities on the Subject Line. Any contract between MAINE DOT and a PRS Contractor (other than SLR or an affiliate of SLR) providing maintenance services on the Subject Line shall specify that all maintenance activities, except maintenance required in emergency situations, must be scheduled with SLR's consent (unless the parties are operating pursuant to Section 2.3(d), in which case maintenance does not occur during SLR's operations), which consent shall not be unreasonably withheld, conditioned or delayed. Except with respect to maintenance required in emergency situations, MAINE DOT acknowledges that SLR may reasonably withhold, condition or delay its consent so as to minimize unreasonable interference with ongoing freight operations.

(e) In the event that either SLR or MAINE DOT (as appropriate, the "Maintaining Party") fails to fulfill any maintenance obligations under this Agreement, the other party (the "Non-Maintaining Party") shall give written notice of such failure to the Maintaining Party. If the Maintaining Party does not cure such failure within thirty (30) days after receipt of such notice, the Non-Maintaining Party may perform such maintenance obligations and shall be entitled to full reimbursement for the costs and expenses thereof from the Maintaining Party. The performance of any such maintenance obligations by the Non-Maintaining Party shall not be deemed or construed as an assumption by such party of any other or ongoing maintenance obligations of the Maintaining Party. The Maintaining Party shall be responsible for any fines and/or penalties assessed against either party by the FRA or any successor

agency, and shall be responsible for defending (at its sole cost and expense) both parties in any enforcement action, arising from the Maintaining Party's failure to comply with applicable FRA requirements.

2.7 Dispatching

Prior to the Changeover Date, the dispatching of any and all trains, locomotives, freight cars, intermodal units, cabooses, vehicles and other machinery over and along the Subject Line, shall be subject to the direction and control of SLR's train dispatchers and other authorized agent. As of the Changeover Date, the dispatching of any and all trains, locomotives, freight cars, intermodal units, cabooses, vehicles and other machinery over and along the Subject Line, shall be subject to the direction and control of MAINE DOT or a PRS Contractor.

2.8 Liability

Except as otherwise provided in this Agreement, each party's liability for any and all losses, damages, claims, demands, costs, fines and civil penalties arising from its activities on the Subject Line will be determined by applicable statutory and common law.

2.9 Additional Insurance Obligations

(a) SLR shall, at its sole cost and expense, procure and maintain the insurance coverage specified in Section 2.9 for as long as SLR operates freight rail service on the Subject Line. All insurance shall be placed on an occurrence or claims made basis with insurance carriers that are licensed to do business in Maine and that are acceptable to MAINE DOT. SLR shall provide MAINE DOT with a certificate of

insurance giving evidence of the required coverage at the Effective Date and annually thereafter (if requested by MAINE DOT) for as long as SLR continues to operate freight rail service on the Subject Line. SLR shall require all of its contractors to carry the insurance specified in Section 2.9 and to provide MAINE DOT with a certificate of insurance giving evidence of the required coverage prior to commencing any service or activity on the Subject Line and annually thereafter (as necessary and if requested by MAINE DOT) for as long as SLR continues to operate freight rail service on the Subject Line and the contractors continue to provide such service or activity. All such insurance shall provide for no less than ten days' prior written notice by certified mail (return receipt requested) to be given to MAINE DOT in the event coverage is substantially changed, cancelled or not renewed. SLR shall, on request, permit MAINE DOT to examine original insurance policies.

(b) SLR shall waive any and all rights or causes of action against MAINE DOT for any and all loss of, or damage to, any property owned or used by SLR and any property owned by third parties in the custody or control of SLR (whether or not such loss or damage is caused by the fault or negligent acts or omissions of MAINE DOT). Written notice of this waiver shall be given to each insurance carrier, and said insurance policies shall be properly endorsed, if necessary, to prevent the invalidation of said insurance coverages by reason of this waiver.

(c) SLR shall procure and maintain the following insurance as of the Effective Date and for the period specified in subparagraph (a) above:

- (i) **Workers' Compensation Insurance to the extent (if any) required by Maine law.**
- (ii) **FELA Insurance covering the SLR's FELA liability, with limits of liability as reasonably agreed to in writing by MAINE DOT.**
- (iii) **Commercial Railroad Liability Insurance covering liability imposed on SLR with respect to all of SLR's services and activities on the Subject Line and all obligations assumed by SLR under this Agreement. Independent Contractors Liability, Personal Injury/Advertising Liability, and Contractual Liability coverages are to be included, and all Railroad and Explosion/Collapse/Underground (X-C-U) exclusions are to be deleted. MAINE DOT and its successors or assigns shall be named as additional insureds, and the policy shall contain a waiver of subrogation against MAINE DOT and its successors and assigns. Coverage under this policy shall have limits of liability not less than Eight Million Dollars (\$8,000,000) per occurrence and Sixteen Million Dollars (\$16,000,000) per annum for bodily injury liability (including disease or death), personal injury liability, and property damage liability (including loss of use).**

- (iv) **Pollution Liability Insurance covering liability imposed on SLR arising out of the pollution or impairment of the environment, including investigation and clean-up costs, caused by the SLR's services or activities on the Subject Line. MAINE DOT and its successors and assigns shall be named as an additional insured, and the policy shall contain a waiver of subrogation against MAINE DOT and its successors and assigns. Coverage under this policy shall have limits of liability not less than the Commercial Railroad Liability Insurance required above. SLR may, at its option, cover this pollution liability exposure in the Commercial Railroad Liability Insurance required above, and if this is done, the certificate of insurance submitted must clearly indicate that these coverages are combined.**
- (v) **Property Insurance covering all property on the Subject Line owned or used by SLR in connection with this Agreement, excluding the Subject Line and any Other Track Material (including, without limitation, any leased premises or other property owned by MAINE DOT and used by SLR), and covering all property owned by third parties in the custody or control of SLR, with limits adequate to protect the full replacement value of such property. The property insurance**

policy shall contain a waiver of subrogation against MAINE DOT and its successors and assigns.

(vi) Automobile Liability Insurance issued to and covering SLR's liability arising out of the use of all owned, non-owned, hired, rented or leased vehicles which bear, or are required to bear, license plates in the jurisdiction in which they are to be operated. MAINE DOT and its successors and assigns shall be named as additional insureds, and the policy shall contain a waiver of subrogation against MAINE DOT and its successors and assigns. Coverage under this policy shall have limits of liability not less than One Million Dollars (\$1,000,000) combined single limit for bodily injury liability (including disease or death), personal injury liability, and property damage liability (including loss of use).

(vii) Professional Liability Insurance, in the event that SLR provides engineering or other professional services pursuant to this Agreement, with limits of liability as agreed to in writing by MAINE DOT. MAINE DOT and its successors and assigns shall be named as additional insureds, and the policy shall contain a waiver of subrogation against MAINE DOT and its successors and assigns.

(viii) Additional Insurance, as may be usual and customary with respect to the services provided and activities

undertaken on the Subject Line by SLR pursuant to this Agreement, and as may be required under any applicable federal or state statute or regulation, any applicable local ordinance, or any applicable federal or state administrative or judicial order.

(d) MAINE DOT may every two (2) years specify higher limits of liability for the insurance specified in Section 2.9, which higher limits of liability shall be procured by SLR within sixty (60) days after they have been specified by MAINE DOT.

(e) Except as MAINE DOT may otherwise agree in writing:

(i) no deductible under any insurance policy may exceed \$500,000;

(ii) no insurance may be maintained through so-called "umbrella policies"; and

(iii) insurance may not be diluted by including coverage for risks other than those arising out of or relating to this Agreement and the services provided and activities undertaken pursuant to this Agreement.

2.10 Clearing Derailments

If, after the Passenger Service Commencement Date, the trains or equipment of SLR become derailed, wrecked or otherwise disabled while on the Subject Line, it shall

be railed or cleared by SLR at SLR's cost and expense, except that MAINE DOT or a PRS Contractor shall have the right (but not the obligation) to rerail or clear SLR's derailed train or equipment (at the sole cost and expense of SLR) if SLR fails to clear the Subject Line within 12 hours of the occurrence. If any portion of the Subject Line is damaged as a result of a derailment or operations of a SLR train or equipment, the party with maintenance responsibility at the time of the derailment or such operations shall promptly repair such damage, and SLR shall bear the full cost of such repairs.

2.11 Release of Hazardous Materials

In the event of leakage, spillage, release, discharge or disposal of any Hazardous Materials on the Subject Line by SLR, SLR shall give MAINE DOT immediate notice of such event, and at its sole cost and expense, promptly clean or remediate the Subject Line in accordance with applicable law.

SECTION 3. TERM

The initial term of this Agreement shall expire on the 10th anniversary of the Effective Date. So long as SLR is not in default with respect to a material term or condition of this Agreement, SLR may elect to continue this Agreement for a renewal term of 10 years by giving MAINE DOT written notice of such intent at least 1 year prior to the expiration of the initial term. Notwithstanding the foregoing, this Agreement shall terminate (1) in the event that SLR or any successor freight operator of the Subject Line abandons the Freight Easement or otherwise ceases to provide freight service on the Subject Line, (2) if MAINE DOT elects, pursuant to Section 2.3 (e) above, not to have SLR assign this Agreement to a successor freight operator of the Subject Line, upon transfer of the Freight Easement by SLR to such successor operator or (3) 60 days after

written notice by MAINE DOT to SLR that SLR is in default with respect to a material term or condition of this Agreement, which default has not been cured on or prior to such 60th day.

SECTION 4. MISCELLANEOUS

4.1 Binding Successors; Assignment

This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and permitted assigns, except that neither party may assign its rights, interests and obligations under this Agreement without the consent of the other party, which consent shall not be unreasonably withheld, conditioned or delayed. Any assignment, encumbrance or other transfer in violation of the foregoing shall be void.

4.2 Time of the Essence

Time is important to both SLR and MAINE DOT in the performance of this Agreement, and they have agreed that strict compliance is required as to any date set forth herein. If the final date of any period which is set forth in any term or condition of this Agreement falls upon a Saturday, Sunday or legal holiday under the laws of the United States or the state in which the Subject Line is located, then, and in such event, the time of such period shall be extended to the next day which is not a Saturday, Sunday or legal holiday.

4.3 Notices

Any notice required or desired to be given to either party hereto shall be deemed to be delivered, if delivered to the addresses and the parties specified below (i) on the date of delivery, if hand delivered, (ii) one day after sending, if sent by overnight courier, or (iii) if sent by registered or certified mail, three (3) days after the same is posted by

registered or certified mail, postage prepaid, to the address of the applicable party set out below. Either party hereto may change such party's address for notice, but until written notice of such change of address is actually received by the other party, the last address of such party designated for notice shall remain such party's address for notice.

(a) If intended for SLR:

ST. LAWRENCE & ATLANTIC RAILROAD COMPANY
415 Rodman Road
Auburn, ME 04210
ATTN: GENERAL MANAGER

With a copy to:

Allison Fergus
General Counsel
Genesee & Wyoming, Inc.
66 Field Point Road
Greenwich, CT 06830

(b) If intended for MAINE DOT:

STATE OF MAINE
Department of Transportation
16 State House Station
Augusta, ME 04333-0026
Attn: Commissioner

With a copy to:

STATE OF MAINE
Department of Transportation
16 State House Station
Augusta, ME 04333-0026
Attn: Toni Kemmerle

4.4 Entire Agreement; Severability

This Agreement (together with any Schedules, which are hereby incorporated by reference as if fully set forth herein) contains the entire agreement between SLR and

MAINE DOT with respect to the subject matter hereof and supersedes all prior or contemporaneous oral or written agreements between SLR and MAINE DOT with respect thereto. If any term, covenant or provision of this Agreement, or the application thereof to any person or circumstance, shall ever be held to be illegal, invalid or unenforceable, then, in such event, the remainder of this Agreement or the application of such terms, covenants and provisions hereof shall remain valid and enforceable to the fullest extent permitted by law. Furthermore, any such invalidity or unenforceability of a term, covenant or provision of this Agreement shall not be deemed to affect the validity or effectiveness of the remaining terms and provisions of this Agreement.

4.5 Amendments in Writing

No modification or amendment of this Agreement shall be of any force or effect unless made in writing and executed by both SLR and MAINE DOT.

4.6 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the United States of America and the State of Maine .

4.7 Headings

The Section headings in this Agreement are for convenience only and shall not be used in its interpretation or considered part of this Agreement.

4.8 Counterparts

This Agreement may be executed in any number of counterparts each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

4.9 No Third Party Beneficiary

No provision of this Agreement shall be construed as intended for the benefit of any third party.

EXECUTED by SLR and MAINE DOT as of the date first written above.

**ST. LAWRENCE & ATLANTIC
RAILROAD COMPANY,**

a Delaware corporation

By: _____

Name: _____

Title: _____

STATE OF MAINE,

acting by and through its Department of
Transportation

By: _____

Name: _____

Title: _____